

Journal

April 2006

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Direct pay helps keep rates down

BPA's wholesale power rates will be about 5 percent lower than they otherwise would be in fiscal years 2007 through 2009 as a result of BPA paying directly the principal and interest for Energy Northwest bonds.

The savings were made possible when the Internal Revenue Service gave quick review in March to a proposal that was backed by a host of sources, including Secretary of Energy Samuel Bodman, Senator Max Baucus of Montana, and Senators Gordon Smith and Ron Wyden of Oregon. The IRS review was necessary to ensure that the tax exempt status of the bonds was not imperiled.

Under the old billing arrangement, BPA could be short of cash after it met its large year-end Treasury payment responsibility. By leveling out BPA's cash flow through the new direct-pay arrangement, BPA will not need to rely on large cash reserves or other awkward or expensive risk mitigation techniques in order to assure it has cash to meet its obligations on time; hence the opportunity to lower rates.

The idea for direct payment by BPA came out of discussions with customers last summer that focused on ways to better manage BPA's financial risk while carrying less in reserves.

BPA and EN complete bond sale

On March 21, BPA and Energy Northwest completed an \$842 million refinancing bond sale for all three Energy Northwest nuclear projects, including Columbia Generating Station, the sole operating project which is in Washington state. As a measure of confidence in BPA's stability, the bond investors didn't require insurance.

The sale breaks down to \$828 million in tax-exempt debt and about \$14 million in taxable debt. The true interest cost of the entire refinancing deal was about 4.4 percent. The interest rate savings come to an average of about \$1.5 million per year in reduced debt service. That would be a savings close to \$5.5 million for the next rate period.

The extension of the CGS bonds into the 2020-to-2024 time frame gives BPA about \$16 million in annual savings for the upcoming rate period, when optimized with BPA's federal debt. This transaction also will bring the total of BPA's restored U.S. Treasury borrowing authority to about \$1.2 billion after this fall's additional Treasury payment.

Agencies rate BPA high

The three major bond rating agencies have given BPA high marks. Standard & Poor's and Fitch Ratings both reaffirmed AA- ratings for the Energy Northwest bonds backed by BPA. Moody's Investors Service continued its Aaa rating.

All three attributed the strong ratings to a stable credit outlook supported by BPA's business fundamentals. These include such factors as low-cost federal hydropower supplies, strong market prices for electricity and the seniority of EN debt. They also cited BPA's strong and efficient operation of the federal hydropower system, and BPA's status as a federal agency.

Regional Dialogue proposal due in spring

BPA is planning to release a Regional Dialogue policy proposal this spring that addresses BPA's future long-term role in the regional power supply. The proposal's release will be followed by a 60-day

public comment period, with a final policy and record of decision scheduled for August. BPA expects to begin drafting long-term power sales contracts shortly thereafter to replace current contracts that expire in 2011.

BPA's power customers and other stakeholders have been participating in the Regional Dialogue public process for more than a year.



Crews string new line on the BPA transmission grid during 2005.



BPA and Clark sign contract

BPA and Clark Public Utilities have signed a contract that changes the type of service that BPA will provide to Clark beginning in the 2008 fiscal year. The agreement covers complex aspects of residential exchange benefits under the Northwest Power Act.

BPA Administrator Steve Wright praised Clark's "statesmanlike approach" to resolving the issues and said, "Clark worked diligently with BPA to craft a solution that benefits its ratepayers while seeking to minimize the impact on other Northwest ratepayers."

The terms call for BPA to pay about \$13 million (net present value) to Clark. In turn, Clark will purchase more energy from BPA in the summer months and less in the winter months. BPA stands to realize an \$11 million increase in surplus revenues over the course of the four-year contract because it can sell more energy in winter when prices are higher.

Fish antenna to be installed at dam

A new, highly sensitive antenna will allow biologists to detect PIT tagged fish as they swim through the corner collector at Bonneville Dam. Installation of the equipment began in early March, and it should be operational by April 10.

Initial testing of the corner collector indicates that 30 to 35 percent of yearling and sub-yearling salmon and 71 percent of steelhead bypass Bonneville's second powerhouse using the corner collector. Nearly 100 percent of fish that are diverted past the dam by the corner collector survive.

The new antenna is expected to detect 60 percent of the PIT tagged fish that pass through the corner collector. PIT tags, or passive integrated transponders, are small electronic devices inserted into the fish. A tag inserted into a juvenile can be detected when the fish returns as an adult.

The corner collector is a surface flow route around the dam — basically a water slide with a 40-foot waterfall, a 2,800-foot slide down the channel, and a 10-foot drop into a plunge pool. Fish are deposited half a mile downstream from the dam in a spot of swift current where they are more likely to avoid predation.

New herbicides proposed

BPA is proposing to use four new general-use herbicides within its service area. If it approves their use after public comment, BPA could use the products in rights-of-way, electrical facilities and non-electrical facilities where total or invasive vegetation management is required. A fact sheet is available for each of the herbicides. They are: aminophyalid, clethodim, imazapic and sethoxydim. The fact sheets are available online at: www.efw.bpa.gov/environmental_services/Document_Library/Vegetation_Management/List%20of%20Approved%20Herbicides%20Fact%20Sheets.pdf.

BPA is soliciting input and comments on this proposal. Comments will be accepted through May 5. See the back page, Close of Comment.

BPA, Council announce year of celebration

BPA and the Northwest Power and Conservation Council will have a joint year of celebration to commemorate the 25th year of the Northwest Power Act, which Congress passed in December 1980.

The two agencies will cosponsor a series of events throughout the year to highlight achievements under the Act. The year will culminate with an anniversary dinner and awards ceremony in December honoring "Power Act Champions."

These awards will recognize individuals who have been instrumental in fulfilling the provisions of the Act. Other events planned this year include exhibits and educational outreach projects to inform the public about the Act and its significance. Information about all these activities and how to nominate a "Power Act Champion" will be posted shortly on the Council and BPA Web sites.

Montana office is moving

BPA's Montana government liaison office is moving. The new address after April 7 will be 321 Fuller Ave., Suite 201, Helena, MT 59601. E-mail access is down from late March to April 7. Telephone numbers will stay the same. The office phone lines are (406) 449-5790 and 449-5791, and they will have voice mail. The fax line is (406) 449-5792.

publicinvolvement

updates and notices

AGENCY – ONGOING PROJECTS

Supplement Analysis to the Business Plan EIS – Regionwide
BPA is preparing a Supplement Analysis to its Business Plan Environmental Impact Statement, scheduled for release in early 2006. The 1995 Business Plan EIS analyzed impacts of BPA's business practices, such as marketing and transmitting power, energy conservation, renewable energy development, and fish and wildlife mitigation. The analysis looked at effects on the natural, economic and social environments. Letters announcing and outlining the supplement analysis to the Business Plan EIS went out December 2004. Comments were accepted through

March 1, 2005. For more on the supplement analysis and the comments received, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/bpsa.

FISH AND WILDLIFE – ONGOING PROJECTS

Chief Joseph Hatchery Program – Okanogan County, Wash.
The Northwest Power and Conservation Council has recommended that BPA fund a program sponsored by the Confederated Colville Tribes to assist in conservation and recovery of summer/fall chinook salmon in the Okanogan subbasin and the Columbia River between the Okanogan River and Chief Joseph

Dam. This program would include construction, operation and maintenance of a hatchery at the base of the Chief Joseph Dam and a few acclimation ponds throughout the Okanogan River subbasin. Adult fish broodstock collection for gathering eggs would occur throughout the project area. Egg incubation and early rearing would occur at the new hatchery. Final rearing and release of juvenile fish would occur at new and existing acclimation ponds. While the focus of the program would be the propagation of summer/fall chinook salmon, the EIS will also consider use of the proposed facilities to reintroduce spring chinook salmon to historical habitats in the Okanogan subbasin. Comments were accepted through Sept. 19, 2005. A draft EIS will be available for review and comment in spring 2006. For more information, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Chief_Joseph/.

Northeast Oregon Hatchery Program, Grande Ronde-Imnaha Spring Chinook Hatchery Project – Wallowa County, Ore.

BPA has conducted value engineering, land acquisition, and final design according to the March 11, 2005 Record of Decision to DOE-EIS-0340. Several minor changes to facility features and sites are now proposed. No different major undertakings are proposed and no substantial changes to environmental effects or public issues are anticipated by the changes. BPA has amended the project Biological Assessment for ESA consultation, and is conducting a Supplemental Analysis complete with additional cultural resources and hydrologic studies of the proposed changes to determine whether development of a Supplemental EIS is warranted. BPA is expecting to release the Supplemental Analysis for 30-day public review and comment period in April 2006. For more information, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Grand_Ronde/.

Proposal for Alternative Contracting Approach for Capitalizing BPA Funded Wildlife Land Acquisitions – Regionwide

BPA is seeking feedback on a draft proposal for an alternative contracting concept for capitalizing land acquisitions for wildlife mitigation. The draft proposal addresses some issues that have led to a perceived slowing of mitigation efforts resulting from implementation of the agency's capitalization policy. For more information, see BPA's Web site: www.efw.bpa.gov/.

Salmon Creek EIS – Okanogan County, Wash.

BPA proposes to fund a project to enhance fish habitat, fish passage and instream flows in 4.3 miles of lower Salmon Creek, a tributary of the Okanogan River. The project would rehabilitate the stream channel, revegetate stream banks and increase streamflows. A draft EIS was released in September 2004 and is available on BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Salmon_Creek/. A public meeting was held September 2004, comments accepted through Nov. 9, 2004. Further environmental analysis is delayed until a master plan is completed. Environmental analysis will continue only if the master plan is approved for funding by the Northwest Power and Conservation Council.

South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program EIS – Flathead National Forest, Mont.

BPA released the final environmental impact statement for the South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program on July 25, 2005. Subsequently, some parties informed BPA that the final EIS did not include comments they submitted during the draft EIS comment period (July 12 through Aug. 20, 2004). BPA accepted comments that raised new information or identified changed circumstances from those discussed in the FEIS through Dec. 12, 2005.

The FEIS is available on BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/South_Fork_Flathead/.

POWER – ONGOING PROJECTS

Power Function Review – Regionwide

A draft closeout report to the Power Function Review II process is scheduled for release for public comment on March 31, 2006. The public comment period will be open through April 21, 2006.

This process has provided interested parties additional opportunities to review program expense levels for the FY 2007-to-2009 rate period. Additional information is available on BPA's Web site: www.bpa.gov/power/review/. (See calendar of events.)

2007 Wholesale Power Rate – Case (WP-07)

The 2007 Wholesale Power (WP-07) Rate Case, conducted in accordance with the 7(i) process, will determine BPA's power rates for the FY 2007-to-2009 rate period. BPA issued a notice of the case in the Nov. 8, 2005 Federal Register. The case is summarized in the initial proposal which is available at www.bpa.gov/power/pfr/rates/ratecases/wp07/.

On Feb. 8, BPA filed a motion requesting the hearing officer revise the WP-07 rate case schedule to allow BPA to submit supplemental testimony that will modify BPA's initial proposal by eliminating estimates of revenues from the Transmission Business Line for the inside-the-band component of the generation input allocation for generation-supplied reactive power for FY 2008 and 2009. This modification recognizes recent changes in FERC case law addressing the payment of generation input cost for generation-supplied reactive power and voltage control. The motion also requested that a new public comment period be instituted, limited to this proposal. The comment period began Feb. 13 and will close March 6. Additional information is available on the Web site: www.bpa.gov/power/pfr/rates/ratecases/wp07/.

Regional Dialogue – Regionwide

BPA is preparing to issue a policy proposal for public comment in late April. A 60-day public comment period will follow. This policy proposal will address key issues in the post-2011 time frame. These issues include service to public customers, benefits to the residential and small-farm consumers of investor-owned utilities, benefits to direct-service industries, and conservation and renewables. Additional information is available on BPA's Web site: www.bpa.gov/power/regionaldialogue/.

DSI Economic Study

As part of the Long-Term Regional Dialogue, BPA is considering the level of service it will provide to the direct-service industries after FY 2011. To better inform its decision, the agency is seeking a more comprehensive understanding of the economic impact of various levels of support it may provide to the aluminum smelters. BPA is asking interested regional parties to submit empirically based papers and studies that will help BPA understand the positive and negative impacts to the Pacific Northwest economy that may result from BPA providing benefits to the aluminum smelters. BPA is interested in papers that evaluate benefit levels ranging from no benefits to 560 average megawatts of power at a priority firm-equivalent price. The deadline to submit papers and studies is May 31, 2006. Additional information is available on BPA's Web site: www.bpa.gov/power/regionaldialogue/.

TRANSMISSION – ONGOING PROJECTS

Hanford Reach National Monument CCP/EIS – Benton, Franklin and Grant counties, Wash.

BPA is participating in a land management planning process led by the U.S. Fish and Wildlife Service. The USFWS seeks to develop a comprehensive conservation plan as required by the Refuge System Improvement Act of 1997. BPA is providing information and writing sections of the plan that pertain to transmission facilities, roads, energy facilities and river flow management within the monument. A draft environmental impact statement is scheduled for release this spring.

Klondike III/Biglow Canyon Wind Integration Project – Sherman County, Ore.

BPA has been asked by PPM Energy Inc. to interconnect 300 megawatts of the output of the proposed Klondike III Wind Project and by Orion Energy LLC to interconnect 400 MW of the proposed Biglow Canyon (formerly Sherman County) Wind Project. Integration would require BPA to build and operate a new double-circuit 230-kilovolt transmission line, approximately 12 miles long, expand one substation and build

another. The new facilities would be built near the towns of Wasco and Rufus, Ore. BPA is analyzing the effects of the proposed action and both wind projects in an environmental impact statement. BPA expects to issue a draft EIS in April for public review. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Wind/.

Libby (Flathead Electric Cooperative)-to-Troy Section of the Libby-to-Bonniers Ferry 115-kV Transmission Line Rebuild – Lincoln County, Mont.

BPA is proposing to rebuild a 17-mile-long section of the Libby-to-Bonniers Ferry 115-kilovolt transmission line to improve its reliability and meet future load growth in Lincoln County, Mont. Current options include: rebuilding as a single-circuit 115-kV wood-pole H-frame line with some wood-pole equivalent steel poles; rebuilding as a double-circuit 115-kV tubular steel-pole line; rebuilding as a double-circuit 230-kV tubular steel-pole line; and, not rebuilding the line. BPA plans to analyze the environmental effects of the proposed project and comments received during the scoping process in an environmental impact statement and expects to issue a draft EIS in spring 2006. Comments were accepted through Oct. 30, 2005. An informational public meeting on electric and magnetic fields was held Nov. 17, in Libby, Mont. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/%20Transmission_%20Projects/.

Port Angeles Transmission Line Interconnection – Port Angeles, Wash.

Olympic Converter LP has requested interconnection to the Federal Columbia River Transmission System of a 550-megawatt transmission cable across the Strait of Juan de Fuca from Vancouver Island, B.C., to Port Angeles, Wash., on the Olympic Peninsula. The line would interconnect at BPA's existing Port Angeles Substation. BPA is leading the environmental studies and coordinating efforts with the Department of Energy. The draft EIS is scheduled for release this spring. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

Rock Creek Substation – Klickitat County, Wash.

BPA will offer contract terms for interconnection of 150 megawatts of power from the Goodnoe Hills wind project and up to 200 MW of power from the White Creek wind project into the Federal Columbia River Transmission System at the new Rock Creek Substation. The tiered record of decision was signed Nov. 9, 2005. Construction of Rock Creek substation is scheduled to begin mid-April 2006. BPA is now considering the interconnection of up to 250 megawatts from a third developer, Windy Point Partners LLC. This wind project, located just west of the Goodnoe Hills wind project, would also interconnect at Rock Creek Substation. A developer-sponsored community meeting was held in Goldendale, Wash. on March 16, BPA is accepting comments on the interconnection of the Windy Point project until April 3, 2006. A tiered ROD is expected to be released the end of April 2006. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Wind/.

Seven Mile Hill Wind Project – Wasco County, Ore.

UPC Wind Partners, LLC, requested BPA to interconnect 50 megawatts of power it plans to generate from its proposed wind development southwest of The Dalles, Ore. BPA is considering constructing a simple tap to create a three-terminal line within a switchyard beneath BPA's The Dalles-Hood River 115-kilovolt transmission line. UPC would build a 115/34.5-kV substation adjacent to the switchyard, but outside the transmission right-of-way. BPA will largely parallel its National Environmental Policy Act review process with the Wasco County

review of the conditional use permit application for this project. BPA plans to issue a tiered record of decision under the Transmission Business Plan environmental impact statement. UPC is currently conducting bat and bird studies and tentatively plans to file a conditional use permit application with Wasco County in the spring/summer of 2006.

Tucannon River-North Lewiston 115-kV Transmission Line – Garfield County, Wash. and Nez Perce County, Idaho

A section of the Tucannon River-North Lewiston 115-kilovolt transmission line needs pole replacement and a new conductor to improve reliability and safety. Access road construction began last fall. Public meetings were held in February in Pomeroy and Clarkston, Wash. Construction for replacing the poles and conductor will begin in June. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

Willow Creek Winds Interconnection Project – Gilliam and Morrow Counties, Ore.

Invenergy, LLC requested interconnection of up to 180 megawatts of power generated from the proposed Willow Creek Winds Interconnection Project located in Gilliam and Morrow counties, Ore. BPA proposes to interconnect up to 150 MW to BPA's Tower Road-Alkali 115-kilovolt transmission line in Gilliam County. Interconnection would require rebuilding one mile of transmission line and constructing two switch structures within the existing BPA right-of-way. Invenergy is currently proposing a 72-MW project with no firm expansion plans at this time. A public scoping meeting was held Oct. 18 in Arlington, and comments were accepted through Nov. 1. BPA will analyze project impacts in a tiered record of decision under the Business Plan environmental impact statement, scheduled to be completed in 2006. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Wind/.

SUPPLEMENT ANALYSES

To view copies of the supplement analysis, visit the link provided.

Watershed Management Program Environmental Impact Statement

www.efw.bpa.gov/environmental_services/Document_Library/Watershed_Management/

- SA-253 Wind River Watershed Project, Skamania County, Wash.
- SA-254 Fogarty Ditch Diversion, Kittitas County, Wash.

Transmission Vegetation Management Program Environmental Impact Statement

- SA-283 Schultz-Raver Corridor, Kittitas County, Wash.

CALENDAR OF EVENTS

April 10, 2006 – Power Function Review II Management Discussion, BPA Rates Hearing Room, 9 – 4 p.m.

CLOSE OF COMMENT

April 21, 2006 – Power Function Review II Draft Closeout Report

May 5, 2006 – Transmission System Vegetation Management Program Environmental Impact Statement, proposal to add four new herbicides to the program.

The Journal is a monthly publication of the Bonneville Power Administration. If you have questions or comments, or you want to be added to the mailing list for any project, call (503) 230-3478 in Portland or toll free 1-800-622-4519.

To order copies of documents, call: 1-800-622-4520 or (503) 230-7334. Written comments may be sent to: BPA, P.O. Box 14428, Portland, OR 97293-4428. E-mail address: comment@BPA.gov. BPA home page: www.bpa.gov. For details on BPA environmental reviews listed above, including site maps and documents issued to date, see www.efw.bpa.gov/environmental_services/nepadocs.aspx. Process Abbreviations: EA-Environmental Assessment, EIS-Environmental Impact Statement, DEIS-Draft Environmental Impact Statement, FEIS-Final Environmental Impact Statement, FONSI-Finding of No Significant Impact, NOI-Notice of Intent, ROD-Record of Decision, SA-Supplement Analysis.

